

Abstract

In 1995 AT&T Canada was financially unstable, facing losses of \$1 million per day. With as many agendas as it had owners, employee morale was low and the company's main focus was on survival. In 1998, after implementing the Balanced Scorecard, AT&T Canada enjoyed solid financial backing and a significant cut of its losses. With a clear consensus on strategy among its shareholders, its reinvigorated workforce provides high-quality, state-of-the-art services. William Catucci, then CEO of AT&T Canada was the driving force behind the company's change in fortune using the Balanced Scorecard to transform AT&T Canada into a Strategy-Focused Organization.



Executive Summary

AT&T Canada's Burning Platform

In 1995 AT&T Canada (then called Unitel) was losing over \$1 Million per day. The company's diverse group of major shareholders couldn't agree on a strategic direction, company morale was poor, and its focus was on survival. A 1995 Hay Associates survey of 500 North American companies put AT&T Canada far below the median in both employee and customer indicators. To overcome these problems, the board of directors brought in Bill Catucci, the company's third CEO in five years.

Reason for BSC

Catucci needed a credible basis for launching major change. He wanted to manage the business as an integrated enterprise, shifting focus away from individual functions within business units. He saw the BSC as a vehicle for achieving his vision of creating a company that would be perceived as a leader with customers, employees, shareholders, and the community.

Catucci began implementing the Balanced Scorecard in late 1995. After some initial management changes to stabilize the organization, the strategy scorecard and supporting management processes were installed early in 1998 and continued until Catucci's retirement in 1999.

Catucci's goals when implementing the BSC were to:

- Improve revenue and productivity growth.
- Change existing feedback from tactical to strategic in focus.
- Build a management team.
- Decentralize management responsibility
- Obtain clarity and consensus about strategy
- Achieve tight focus among all participants
- Communicate the strategy
- Provide a foundation for strategic learning



Executive Summary

Results

Virtually all of AT&T Canada's leading strategic indicators showed measured improvement after just one year (end of 1998) of BSC use. Revenue growth was already underway before the BSC was implemented, but profitability substantially improved after the BSC was in force. By the end of 1998, a \$250 million equity infusion from 1995 was now valued between \$1.2 and \$1.5 Billion. The company was purchased in 1999 for over a billion dollars.

Post-BSC results included:

- Company Revenue Growth increased 10% over pre-BSC baseline
- Annual Company Revenue Growth up 32% (vs. 4% telecom market growth)
- Customer Results –MSN Internet Customer Base (50,000 subscribers) acquired
- Core Business Service Revenue Growth rose 15% over pre-BSC baseline
- Customer Base Growth (1995 vs. 1998) increased by 400,000 customers
- Revenue Per Employee rose 11%
- Operational Expense-to-Revenue Ratio decreased by 9%
- Monthly Website Visits rose from 4,300 (Jan. 1998) to 15,596 (Oct. 1998)

Leader Testimonial

"The combination of the governance model, the leadership process, [and] the Balanced Scorecard helped me change the culture of AT&T Canada from one in which the employees were just showing up to work every day for a paycheck to one in which they were pretty excited about the place...They were very proud of where they worked."



Mobilize

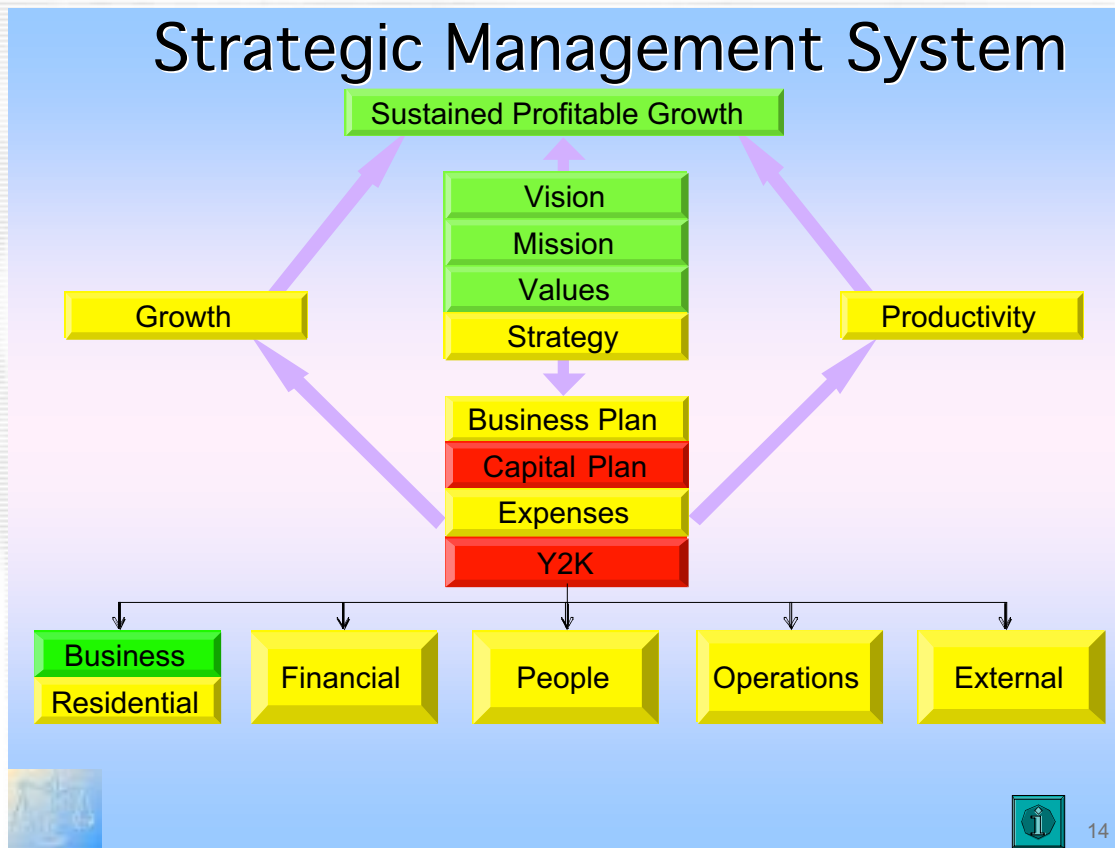
Bill Catucci, CEO of AT&T Canada Long Distance Services, sponsored the Balanced Scorecard implementation. In addition, Renato Discenza, VP of Network Services and Business Improvement was a major player, along with BSC project leader Pat Paladino, from the corporate Quality office.

Upon arriving as the new President and CEO, Catucci communicated to his executive team that losing a million dollars a day was going to stop. Later, when he had decided to adopt the Balanced Scorecard management system, he eliminated all operational management meetings between himself and his team on a 1-on-1 basis. Henceforth, all operational reviews would be held on a "council" (executive team plus some direct reports) with a focused theme, 1 meeting per week with a different theme each week, based on the scorecard's perspectives. Every executive knew that they must come prepared to these meetings because they were scheduled one year in advance, they were mandatory, and each of them had full accountability for reporting, explaining and defending the numbers associated with the scorecard domains that they owned.



Translate

AT&T Canada’s strategy scorecard was nested in an overall management system model which was layered over five scorecard perspectives. The company added “external” to the standard four perspectives in order to account for the regulatory environment in which it operated. The company then installed a set of performance measures for each of the five perspectives. These were tracked monthly. A rigorous strategy map with cause-effect linkages was not constructed. Below is a graphic depiction of AT&T Canada’s strategic management system.



Motivate

Bill Catucci and his BSC Project Leader (corporate quality manager) used a combination of internal newsletters and presentations at "Town Hall" meetings to communicate the scorecard's rollout into 13 functions simultaneously. During these meetings, Catucci would personally review the company's mission, vision, values and strategy in detail, emphasizing that they were applicable to all employees. He then would engage in an open dialogue to clarify and resolve concerns.

AT&T Canada focused its compensation system on revenue growth and net income improvement. If the company achieved its objectives, employees got bonuses.

But the real story at AT&T Canada was how Catucci used the Balanced Scorecard to transform the way he worked with his managers, creating a whole new approach to managing the business.



Govern

When CEO Bill Catucci first arrived at AT&T Canada, he inherited a process in which he met monthly with each head of the seven functional units to review the financial performance of the past month and forecast for the next month. After implementing the Balanced Scorecard, Catucci revised that process. For starters, he canceled the seven individual meetings and replaced them with a new set of meetings for the entire executive team. Instead of organizing the meetings around functional silos, Catucci centered them around four strategic themes linked to the Balanced Scorecard. The cross-functional groups formed around each of the themes were called "councils" and included:

- New Business and Growth Council: Discussed business growth strategies and initiatives.
- Executive Business Process Council: Discussed productivity only (e.g., how to decrease cost per conversation minute or per network mile, etc.), processes, core competencies needed, how to develop/acquire them.
- PDR (Professional Development Roundtable) Council: Conferred on employee survey results, compensation, recruitment, succession planning and other employee issues, and to answer the question-- "What are the enablers to sustained profitable growth"?
- SMS (Strategic Management System) Council: Carefully reviewed BSC results. All scorecard data "owners" were present, along with the executive team and their direct reports who had a significant involvement with the scorecard metrics.



Govern

These strategic management meetings, which were mandatory for Catucci and his eight business heads, lasted four hours and were scheduled once a month – up to one year in advance.

With his management meetings focused on the Balanced Scorecard, Catucci introduced a new culture of teamwork and problem-solving around the strategy. Instead of reviewing and analyzing the past, the team was using data to influence the future in preferred directions.

Says Catucci, "For example, I would click on 'sustained profitable growth' and the scorecard would tell you exactly what I meant by that. So everybody knew what our target was for sustained profitable growth and how we were going to get there. And then we would link it, integrate it, connect all the dots and align everybody."

The BSC Project Manager had to build a data collection system for the presentation of BSC results each month. The hardest task was to get the data providers to let go of their previous information structures think in an integrative way -- rather than just functionally. The BSC took them out of their comfort zone and into new ways of measuring and reporting.

"At the strategic management meeting, the entire leadership team would get together and talk about the company in its totality – a holistic approach to the business. Instead of the chimneys, we would focus on what was happening throughout the company," notes Catucci.



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Bill Catucci sums up AT&T Canada's scorecard results in this way: "The combination of the governance model, the leadership process, [and] the Balanced Scorecard helped me change the culture of AT&T Canada from one in which the employees were just showing up to work every day for a paycheck to one in which they were pretty excited about the place...They were very proud of where they worked."



BSC Hall of Fame

Balanced Scorecard Hall of Fame winners have achieved breakthrough performance largely as a result of applying one or more of the five principles of a Strategy-Focused Organization: mobilize change through executive leadership; translate the strategy to operational terms; align the organization to the strategy; motivate to make strategy everyone's job; and govern to make strategy a continual process.

Other selection criteria are: implement the Balanced Scorecard as defined by the Kaplan/Norton methodology; present the case at a public conference; achieve media recognition for the scorecard implementation; produce significant financial or market share gains; and demonstrate measurable achievement of customer objectives. Hall of Fame honorees are nominated by BSCol's in-house experts and are personally selected by Balanced Scorecard creators Dr. Robert Kaplan and Dr. David Norton.

About Balanced Scorecard Collaborative

Balanced Scorecard Collaborative, Inc. (BSCol) is a new kind of professional service firm dedicated to the worldwide awareness, use, enhancement, and integrity of the Balanced Scorecard (BSC) as a value-added management process. Led by Balanced Scorecard creators Drs. Robert Kaplan and David Norton, BSCol provides consulting, conferences, training, publications, action working groups, software certification, and online services. For more information, please call us at 781.259.3737, or visit us on the web where you can join Balanced Scorecard Online for the latest insight and resources at bscol.com

